

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF**

**FROM: KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL**

**DATE: AUGUST 6, 2014**

**SUBJECT: IDAHO POWER'S REQUEST FOR A DETERMINATION REGARDING  
AN ENERGY SALES AGREEMENT WITH BOISE CITY SOLAR, CASE  
NO. IPC-E-14-20**

On July 25, 2014, Idaho Power filed an Application with the Commission for approval or rejection of an Energy Sales Agreement with Boise City Solar, LLC for the sale and purchase of electric energy. Idaho Power requests that its Application be processed by Modified Procedure.

### **THE APPLICATION**

Idaho Power requests that the Commission accept or reject the Energy Sales Agreement between Idaho Power and Boise City Solar under which Boise City Solar would sell and Idaho Power would purchase electric energy generated by the project's 40 megawatt (MW) solar photovoltaic project located in Ada County on South Cloverdale Road between Boise and Kuna, Idaho. The Agreement between the parties was executed on July 17, 2014.

The Agreement is for a term of 20 years. Idaho Power states that the Agreement was executed in compliance with the Commission's Orders directing the implementation of PURPA for the State of Idaho and contains negotiated avoided cost rates based upon the incremental cost, integrated resource plan pricing methodology available to solar projects whose generation will exceed 100 kilowatts (kW). Idaho Power explains that the Agreement also contains negotiated solar integration charges as directed by the Commission in Order No. 33043, as well as several other negotiated provisions requiring specific Commission approval.

The proposed project is expected to use mono crystalline solar modules with Tier 1 inverters and utilize a dual axis tracking system. The facility has a nameplate rating of 39.989 MW AC. Boise City Solar selected January 16, 2016, as its Scheduled Operation Date. Various

requirements have been placed upon Boise City Solar in order for Idaho Power to accept energy deliveries from the project. Idaho Power states that it will continue to monitor compliance with these requirements throughout the term of the Agreement.

Idaho Power explains that this Agreement is the first of its type (along with Grand View Solar) submitted for approval that contains negotiated avoided cost rates based upon the incremental cost, integrated resource plan pricing methodology. Prices were determined on an incremental basis with the inclusion of this project in its queued position of proposed projects on Idaho Power's system. Over the 20-year term of the Agreement, monthly rates vary from approximately \$44/megawatt-hour (MWh) for light load hours in early months of the Agreement to as high as \$113/MWh for heavy load hours in the later years of the Agreement. The equivalent 20-year levelized avoided cost rate would amount to approximately \$72.15/MWh.

The Agreement also contains a solar integration charge that was negotiated and agreed to by the parties. Although the integration charge is based on Idaho Power's solar integration study, the study was not yet complete during contract negotiations. However, the most currently available data and analysis from the study was used by the parties in the course of negotiations. The negotiated solar integration charge starts at \$1.34/MWh for the first year of the Agreement (2015) and escalates to \$3.11/MWh in 2036. The equivalent 20-year levelized solar integration charge would amount to approximately \$2.01/MWh. Idaho Power states that the 20-year estimated contractual obligation based upon estimated generation levels, including avoided cost rates and solar integration charges, is approximately \$161,461,924.

The Agreement contains provisions for a 90/110 firmness requirement, as well as a solar integration charge, and a pricing adjustment. Idaho Power affirms that it prefers that 90/110 firmness be included in all PURPA QF agreements and the Company does not consider solar integration charges to be a replacement for the 90/110 requirements. Idaho Power states that 90/110 firmness requirements and solar integration charges address different concerns: 90/110 addresses the Commission definition of firmness for entitlement to an avoided cost rate determined at the time of contracting for the duration of the contract whereas solar integration charges address the increased system operation costs incurred because of the variable and intermittent nature of the generation. Based on negotiations and an agreed to price adjustment, the Company states that it is comfortable and confident that the Agreement contains provisions to reasonably assure that the project performs in conformance with its generation estimates and,

if not, the project receives a reduced price for the non-conforming month's generation. The Agreement allows for a 2% deviation in the monthly Adjusted Estimated Net Energy Amount (as estimated for the 90/110 provisions) from the generation profile estimates without assessing a price adjustment. If the project's actual generation deviates downward by more than 2% of its generation estimates, then a corresponding percentage adjustment to the monthly price is imposed. However, the adjustment is limited to a maximum price reduction of 10%. Idaho Power states that consistent and material deviations from the hourly energy estimates in the generation profile will be considered by Idaho Power to be a material breach of the Agreement.

Idaho Power states that the parties negotiated a deviation from the requirement of only allowing for quarterly adjustments to the Estimated Net Energy Amounts relevant to the 90/110 provisions. The Agreement provides for the ability to change Estimated Net Energy Amounts on a monthly basis. New provisions providing for actual delay damages as opposed to liquidated damages are also included in the Agreement, consistent with Order No. 32697. The Application further states that the parties negotiated a 50/50 split of environment attributes (aka renewable energy credits).

As with all PURPA QF generation, the project must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. Consequently, the Agreement contains provisions requiring completion of a Generator Interconnection Agreement (GIA), compliance with GIA requirements, and designation as an Idaho Power network resource as conditions of Idaho Power accepting delivery of energy and paying for the same under the Agreement. In order for the project to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request that maintains compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with FERC requirements.

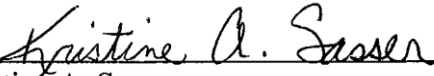
Article 21 of the Agreement provides that the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declared that all payments Idaho Power makes to Boise City Solar for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

#### **STAFF RECOMMENDATION**

Staff has preliminarily reviewed the Application and recommends that the case be processed by Modified Procedure.

## COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure?

  
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Kristine A. Sasser  
Deputy Attorney General

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